

Minutes of the Blue Ribbon Panel for Transportation Funding
Meeting #2
May 1, 2008
8:30 am-10:45 am
Department of Administration – Conference Room A

Members Present: Jerome Williams, Dept. of Administration, Co-Chair
Michael Lewis, RIDOT, Co-Chair
Peter Osborn, FHWA
John Gregory, Northern RI Chamber of Commerce
Lloyd Albert, AAA
Gary Sasse, Dept. of Revenue
Robert Cusack, Preferred Asset Management, LLC
John Simmons, RIPEC
William Sequino, Town Manager, East Greenwich
Robert Weygand, URI

Member Absent: Keith Stokes, Newport Chamber of Commerce

Staff: Maureen Gurchigian, Robert Shawver, Kazem Farhoumand, Diane Badorek
and Robert Letourneau

In Attendance: Katherine Trapani, Michael Moan, Robert Smith, John Megrdochian,
Phillip Kydd, Dana Alexander-Nolfe, Heidi Cote, Christopher Long, Amy Mendillo

Corrections to April 3, 2008 Meeting Minutes

1. Change member present, Robert Cusak, Investment Firm to Robert Cusack, Preferred Asset Management, LLC
2. Page 2, Communication Strategy: the first sentence is changed to read:

“Much panel discussion took place as to creating the methodology and mechanisms to market, raise awareness, educate and inform of the Financing plan recommendations of the Panel.”

The April 3, 2008 Minutes were approved as revised.

Follow-up of April 3rd Meeting Items: Robert Shawver, Associate Chief Engineer

The key points of Mr. Shawver’s presentation (see Panel website for presentation) are as follows:

- RI has relied too much on federal funding – 84% of all expenditures
- The Federal Highway Trust Fund is running out of money and there is the potential for RI to lose federal funding
- Federal funding available to the State assumes an increase of \$10 million per year through FY 2012 and then by a 3% inflation factor thereafter
- RIDOT is due to receive about \$94.4 million in gas tax receipts in FY 2009 and the plan assumes this yield each year through 2020
- Debt service is estimated at \$42.9 million in FY 2009 (greater than the annual bonding of \$40 million) and increasing to \$67.3 million in FY 2020 (71% of the projected gas tax receipts)
- With increasing annual debt service, the DOT operations and maintenance program decreases each year
- If, beginning in FY 2009, we no longer bond \$40 million each year for match requirements, over time debt service decreases and disappears and DOT operations and maintenance funding will increase.

Since the last meeting, RIDOT CFO responded to questions from a Panel member with some charts and tables which were passed to Panel members during the meeting. These charts and tables will be put on the Panel's webpage.

RIDOT Assessment of Infrastructure Needs: Kazem Farhoumand, Acting Chief Engineer

RIDOT manages 3,000 lane miles of roadway and 623 bridges. In addition, RIDOT manages 149 local bridges including providing match to federal sources for rehabilitation, reconstruction and replacement of these local bridges. More than half of all the RIDOT managed bridges were built between 1958 and 1972 (the Interstate era). Many are now structurally deficient.

Over the last 10 years RIDOT has put very little state funding into resurfacing roads (a maintenance activity). In FY 2003 and FY 2007, no State funding was made available for resurfacing state roads. The actual need is \$35-40 million per year. Drainage problems are another maintenance activity requiring RIDOT attention. Even though most of the drainage issues brought to the attention of RIDOT are caused by development, RIDOT is requested to fix the problem. There are over 150 potential drainage projects needing attention. RIDOT can only attend to 5-10 per year.

Mr. Farhoumand showed slides of the condition of some of our largest bridge projects, namely, Sakonnet River Bridge; Bridge #550 in Pawtucket, and the RI-10/US-6 interchange (11 bridges) in Providence (see his presentation on the Panel website). Both the Sakonnet River Bridge and Bridge #550 are addressed in the TIP. However, the RI-10/US-6 interchange is not in the TIP due to the projected cost of \$300 million. There are no funds identified for this project. Due to the size and complexity of this project, there will be a long lead time to do environmental work, design, community outreach and securing funding. Meanwhile, RIDOT must address the deficiencies of these bridges to keep them viable until funding allows for reconstruction, rehabilitation or replacement of these bridges. Should these bridges need to be weight-limit posted, like the Sakonnet and Bridge #550, interstate commerce will be severely restricted in Rhode Island.

A Panel member asked about the State's liability for a bridge collapse. No one knows the answer to this but RIDOT is inspecting suspect (fracture critical) bridges at regular short intervals and will post and then shut down bridges that are determined to be unsafe.

In the event that detours would be required for any of these bridges, the detours would require long distance by-passes or would create metropolitan traffic gridlock, depending on the impacted bridge.

A question was raised by a Panel member. RIDOT has known for a decade that Bridge #550 was deteriorating - why is it now critical? It has been a manpower and funding issue. RIDOT employs 13 people to perform bridge maintenance on all 600+ bridges. Also, there is one RIDOT bridge inspection team that is supplemented by consultant bridge inspectors. Due to the amount of funding needed to reconstruct Bridge #550 and other major projects being worked on, this bridge was deferred, just like the RI-10/US-6 interchange bridges. This bridge is now at the point where the work needs to be done. At RIDOT, because of the funding shortages over the years, maintenance has been deferred. Maintenance is not sexy. There is no ribbon cutting ceremony associated with maintenance. Funding has gone to highly visible major projects.

Under Director Williams, there was an effort to review every bridge in the State and to determine how much it would cost to do the necessary repairs. These bridges have been prioritized based on available funding.

Mr. Shawver returned to follow-up on his earlier presentation and to put the RIDOT infrastructure needs into perspective. He presented slides (on the Panel website) which showed the funding RIDOT needs to tread water – timely maintenance of the infrastructure. This is the minimum level of investment needed to adequately fund maintenance and operations, and to reverse the overall decline in bridges and pavements. To make the system work, we need to ramp-up preventive maintenance and rehabilitation to stop having to do major projects like the Sakonnet Bridge, Bridge #550 and the RI-10/US-6 interchange.

The funds needed to tread water are over and above the current program level and will depend solely on non-federal sources. There is some flexibility in spending between the program needs but the level of funding needed remains unchanged.

One panel member inquired whether local funding needs were addressed in Mr. Shawver's presentation. The Panel was created to address the State program needs. The presentation did not address local transportation needs, but it is addressed in the Statewide Planning Program presentation which follows.

Long Range Transportation Needs Assessment: Katherine Trapani, Statewide Planning Program

Statewide Planning is preparing a revision to the *Long Range Transportation Plan: Transportation 2030*. A component of the Plan is a Chapter on the long range transportation needs assessment. Four scenarios are being developed (see Ms. Trapani's presentation on the Panel website):

Sink: The status quo. No new sources of revenue. The FY 2009-FY 2012 TIP reflects this scenario.

- *What do we get?* Major projects, begin to address bridge deficiencies (Bridge #550), limited highway, enhancement, resurfacing and safety projects, study & development (local projects) on hold; bus service, some commuter rail, no ferry service.
- *What does it cost?* \$453 million/year (federal, state gas tax, general obligation bonds)
- *What is the outcome?*
 - Ever increasing debt
 - State personnel paid with federal funds and general obligation bonds
 - Under-funded maintenance and operations
 - Deficient bridges
 - Continued deterioration of infrastructure
 - Transit service cuts and/or fare increases

Tread Water: Timely maintenance of infrastructure, breaks unsustainable debt cycle, the minimum level of investment required to keep our heads above water.

- *What do we get?*
 - Everything in the "Sink" scenario
 - Major highway projects (RI-10/US-6)
 - Begin to address backlog in highway program
 - Some enhancements, Study & Development, resurfacing and safety projects
 - Bus service, commuter rail, and ferry service
- *What does it cost?* \$682 million/year (registration fees, vehicle sales tax, gas tax, sales tax on gas, tolls, 30% Farebox recovery are potential funding sources)
- *What is the outcome?*
 - No new GO bonds
 - State personnel paid with state funds – more federal funding for projects
 - Adequately funded maintenance and operations
 - Reverse overall decline of bridges and pavements
 - Maintain transit choices and bike/pedestrian modes

Swim: Targeted expansions and overall improvements to the condition of the infrastructure

- *What do we get?*
 - Everything in "Tread Water"
 - Major projects (I-95 & I-295 widening)
 - Start-up of a local roads program
 - More enhancements, Study & Development, resurfacing, safety projects
 - Enhanced bus service and ferry service – no overcrowding
 - Commuter rail all along the Northeast Corridor (Westerly-Pawtucket) and Aquidneck Island

- *What does it cost?* \$861 million/year (same sources as “Tread Water” with assumed increase in local and federal funding)
- *What is the outcome?*
 - Improved safety
 - More balanced transportation system
 - System-wide enhancements
 - Marked improvement in the condition of the infrastructure
 - Improved maintenance
 - More diverse revenue stream

Win the Race: Achieve vision of the State’s land use plan, provides real choice and modal diversity, and maintain economic competitiveness for future generations

- *What do we get?*
 - Everything in the “Swim” scenario
 - Healthy local roads program
 - New fixed guideway in Providence
 - Commuter rail in the Blackstone Valley
 - Major bridges retrofitted for bicycles
- *What does it cost?* \$1.2 billion/year (same revenue sources as the “Swim” scenario but at higher rates)
- *What is the outcome?*
 - Transportation choices and mobility
 - Reduced congestion and improved air quality
 - Enhanced community livability
 - Robust operations, maintenance and asset management
 - Infrastructure for next century
 - Economic competitiveness

Assumptions

- transportation fees and taxes used for transportation purposes
- program is self-sustaining
- federal program must be increased substantially to achieve “swim” and “win”
- savings will be achieved in major bridge and highway projects by adhering to preventive maintenance schedules and by removing personnel costs

Limitations

- modest RIDOT/RISPP staff effort to provide order of magnitude of numbers
- each scenario is a point in time and does not consider variable fees/tolls for heavy vehicles, personnel or construction cost increases, or new technologies
- change in debt service over time is not reflected
- locations for tolled highways are not specified
- earmarks have been removed from the analysis

Conclusions

- Overall funding must be increased
 - 50% for “Tread Water”
 - 90% for “Swim”
 - 163% for “Win the Race”
- The “Sink” scenario is not the worst case – it can get worse (loss of federal funding, reduction in the yield of the gas tax, voters do not approve \$80 million bond issue for two years worth of spending)
- A springboard for more analysis

There was a request from a Panel member to place the draft FY 2009-FY 2012 TIP on the Panel's webpage. This will be done. The draft Long Range Transportation Plan: Transportation 2030 will also be placed on the website.

Discussion

FHWA staff will make a presentation at the June meeting of the state of transportation in the United States (the transportation financing problem and how do we solve the problem), innovative finance tools, value capture tools, and public-private partnerships. First Southwest could also be available to provide the Panel with an objective review of public-private partnerships from around the country.

Panel members are to contact the Co-Chairmen to place questions they want answered on future agendas. Such questions include:

- Are there alternative designs and construction processes that could reduce the cost of items within the "Tread" scenario?
- Should RIDOT employees be removed from project costs and put on a 100% State funded program?
- Should RIDOT be:
 - self-sustaining
 - partially sustaining
 - funded by a broad-based tax or be user-fee driven, receive General Funds or a combination of sources

For the July meeting (which will be rescheduled from July 3rd), the Panel will identify options for Rhode Island to consider. Staff will research and analyze the options and present the results at the August meeting. The URI Transportation Center will assist staff with performing sensitivity analyses on each option selected. Between July and September, the Panel will be looking to receive public input on the funding issues and options.

The need for a communications strategy was discussed. It was suggested that the Panel needs to begin providing the public with information so that the numbers do not appear so stunning. It was recommended that the communications plan be developed for the next meeting to include dissemination of information, meeting with representatives of town and city councils and other groups, and possibly holding a series of charrettes.

It was again stated that the website should post all activities of the Panel: issues being discussed, presentations to the Panel, etc.